

RIDLEY KNOX LIBRARY
NAVAL POSTGRADUATE SCHOOL
MONTEREY, CALIF. 93940

NAVAL POSTGRADUATE SCHOOL

Monterey, California



THESIS

A STUDY OF COMPARATIVE
MANAGEMENT STYLES
IN JAPAN AND KOREA

by

Kwang Sop Choe

June 1982

Thesis Advisor:

J. W. Creighton

Approved for public release; distribution unlimited

T204442

REPORT DOCUMENTATION PAGE		READ INSTRUCTIONS BEFORE COMPLETING FORM
1. REPORT NUMBER	2. GOVT ACCESSION NO.	3. RECIPIENT'S CATALOG NUMBER
4. TITLE (and Subtitle) A Study of Comparative Management Styles in Japan and Korea		5. TYPE OF REPORT & PERIOD COVERED Master's Thesis June 1982
		6. PERFORMING ORG. REPORT NUMBER
7. AUTHOR(s) Kwang Sop Choe		8. CONTRACT OR GRANT NUMBER(s)
9. PERFORMING ORGANIZATION NAME AND ADDRESS Naval Postgraduate School Monterey, California 93940		10. PROGRAM ELEMENT, PROJECT, TASK AREA & WORK UNIT NUMBERS
11. CONTROLLING OFFICE NAME AND ADDRESS Naval Postgraduate School Monterey, California 93940		12. REPORT DATE June 1982
		13. NUMBER OF PAGES 78
14. MONITORING AGENCY NAME & ADDRESS (if different from Controlling Office)		15. SECURITY CLASS. (of this report)
		16. DECLASSIFICATION/DOWNGRADING SCHEDULE
16. DISTRIBUTION STATEMENT (of this Report) Approved for public release; distribution unlimited.		
17. DISTRIBUTION STATEMENT (of the abstract entered in Block 20, if different from Report)		
18. SUPPLEMENTARY NOTES		
19. KEY WORDS (Continue on reverse side if necessary and identify by block number) Korean Management Japanese Management		
20. ABSTRACT (Continue on reverse side if necessary and identify by block number) Korea's economic development within recent years has begun to attract the interest of Western economists with an enthusiasm simmiliar to that heretofore shown the Japanese management style. Two countries that have similiar characteristics such as overpopulation, poor resources, and Confucian tradition, might also have similiar management styles. However, the behavior pattern of Korean businessmen has several characteristics which		

differ from their Japanese counterparts. Interestingly, many of these differences result from a dissimilar degree of Confucian influences. Accordingly, Korea has evolved its management system during a transition period influenced by traditional Confucianism, Japanese practice, and the American system. For the foreseeable future, the Korean business environment will consist of a management style which is oriented comparatively more Japanese, than American. This paper first overviews, then compares the management styles of Japan and Korea to better understand both systems.

Approved for public release: distribution unlimited

A Study of Comparative Management Styles in Japan and Korea

by

Kwang Sop Choe

Lieutenant Colonel, Republic of Korea Air Force
B.S., Republic of Korea Air Force Academy, 1967

Submitted in partial fulfillment of the
requirements for the degree of

MASTER OF SCIENCE IN MANAGEMENT

from the

NAVAL POSTGRADUATE SCHOOL

June 1982

ABSTRACT

Korea's economic development within recent years has begun to attract the interest of Western economists with an enthusiasm similiar to that heretofore shown the Japanese management style. Two countries that have similiar characteristics such as overpopulation, poor resources, and Confucian tradition, might also have similiar management styles. However, the behavior pattern of Korean businessmen has several characteristics which differ from their Japanese counterparts. Interestingly, many of these differences result from a dissimiliar degree of Confucian influences. Accordingly, Korea has evolved its management system during a transition period influenced by traditional Confucianism, Japanese practices, and the American system. For the forseeable future, the Korean business environment will consist of a management style which is oriented comparatively more Japanese, than American. This paper first overviews, then compares the management styles of Japan and Korea to better understand both systems.

TABLE OF CONTENTS

I.	INTRODUCTION	7
	A. BACKGROUND	7
	B. ECONOMIC SUCCESS	8
	1. Japan	8
	2. Korea	10
	C. OBJECTIVE OF THE STUDY	11
	D. METHODOLOGY	12
II.	JAPANESE MANAGEMENT	13
	A. IMPORTANCE OF KNOWLEDGE	13
	1. Group Learning and Quality Control (QC) Circles	13
	2. Information-Gathering	16
	B. MANAGEMENT STYLE	19
	1. Lifetime Employment, Seniority System	19
	2. Long-term Commitment, Slow Evaluation	22
	3. Job Rotation, Job Training	23
	4. Concern for the Employee	25
	5. Enterprise Unionism	27
	6. Decision-making	28
III.	KOREAN MANAGEMENT	32
	A. PRIVATE ENTREPRENEURSHIP	32
	1. Samsung: Consumer Goods Producer	37
	2. Hyundai: Aggressive Entrepreneurship in Producer's Goods	38
	3. Lucky: A Successful Shift in Generation	39
	4. Hanjin: Success in the Service Sector	40
	5. Daewoo: A "New Generation" Chaebol	41
	B. CULTURAL BACKGROUND	41
	C. FOREIGN INFLUENCE: JAPAN AND U.S.	45
	D. MANAGEMENT STYLE	47
	1. The Importance of Human Relationships	53

2.	Family Oriented Management	56
3.	Appearance of the Young Managers	58
4.	The Influence of External Organizations	60
IV.	A COMPARISON OF MANAGEMENT STYLE: JAPAN AND KOREA	64
A.	A CROSS-CULTURAL COMPARISON	64
1.	The Effect of the Spread of Confucianism on Modernization	64
2.	Warrior Rule and Civilian Rule	64
3.	Intuitive Japan, Logical Korea	66
4.	Differences in Approach to the Group: Kinfolk vs Feudal Domain	67
5.	The Concepts of Public and Private	68
B.	DIFFERENCES OF MANAGEMENT STYLE	69
V.	CONCLUSION	73
	LIST OF REFERENCES	75
	INITIAL DISTRIBUTION LIST	78

I. INTRODUCTION

A. BACKGROUND

In 1980, Japan's gross national product (GNP) was the third largest in the world. By the year 2000, it could have the world's largest GNP, if the current trends are maintained [Ref. 1:p.20]. Japan has virtually no physical resources, yet it supports over 115 million people and has come to dominate in one selected industry after another. In the case of automobiles, the Japanese produced fewer than one hundred thousand passenger cars in 1958, but by 1980, Japan's eleven automakers produced eleven million cars, half of which were exported to the rest of the world [Ref. 2: p.11].

Much of the above is true in the case of Korea. In 1978, twenty-five years after the end of the Korean War, Korean firms started to take business away from large western European companies, especially in the Middle East. Korean construction firms, with Korean workers, are competing successfully against such well known American firms as the Fluor Corporation, which has done business in Saudi Arabia since 1936 [Ref. 3: p.16]. The growth rate of Korean business, averaging 10 percent annually for the decade 1967-1977, reached 13 percent in 1978. Additionally, the gross national product approached \$60 billion with per capita income surpassing \$1500 in 1980 as compared to a mere \$100 in 1962 when the economic drive began [Ref. 4: p.23].

Numerous studies have been conducted concerning the cultural background and other factors affecting Japanese economic success. The unique style of Japanese management has also been thoroughly analyzed by many western

researchers. Despite the similarity of cultural background and the close geographical location of Korea and Japan, there are some basic differences in management style between the two countries. The lifetime employment system of big Japanese firms, for example, is hardly found in the Korean firms today.

Since few studies have been made on the Korean management style in spite of its explicit contribution to the remarkable growth rate of the Korean economy for the last two decades, this study will focus on the cultural background, and general characteristics of Korean management, after first reviewing Japanese management style.

B. ECONOMIC SUCCESS

1. Japan

When the Allied Occupation ended in 1952, Japan had almost recovered to its prewar levels of production. Its Gross National Product was, however, little more than one-third that of France or the United Kingdom. By the late 1970s, the Japanese Gross National Product was as large as that of the United Kingdom's and France's combined, and more than half the size of the United States. The Japanese were producing approximately as much steel as the United States, but in more modern and efficient plants. With more modern plants and higher productivity, Japanese steel was seriously competing with American steel in America as well as foreign markets. Making good use of its comparative advantage in labor costs, economies of scale, modern technology and organization, Japan built up many differentiated and highly competitive industries.

By the 1970s, Japanese products dominated the world market in many areas. The Japanese watch industry eclipsed

the famous Swiss watch industry. The British motorcycle industry was virtually eliminated by their Japanese counterpart and the German dominance in camera and lens production before World War II has given way to Japanese production. In optical equipment, the Japanese are similarly dominant, and the sales of Steinway and other American piano manufacturers have been no match for Yamaha. Japanese dominance extended into such diverse fields as bicycles, ski equipment, snowmobiles and cut pottery. In the late 1970s, as the cost of new Japanese ships ran 20 to 30 % lower than European ones, European countries were forced to resort to non-market mechanisms to limit the number of ships purchased from Japan. Japan dominated consumer electronics including television, music sets, and video systems.

The modernization of facilities and productivity increases, not cheap labor, are more important in explaining Japanese superiority. In 1975, one Japanese car worker could produce about one thousand pounds worth of cars every nine days, to produce the same value, an English worker took forty-seven days. In 1976, none of the major European car producers, such as Fiat, Renault or Volkswagen, were able to produce as many as twenty cars per man-year of labor, but Nissan employees produced forty-two cars per man-year and Toyota turned out forty-nine. In 1962, the Japanese produced roughly one hundred tons of steel per worker, compared to four hundred in England; but by 1974, Japanese productivity in steel was estimated to be two to three times that of England.

In international trade the Japanese have had to learn to communicate in English and to adopt patterns of trade developed and originally dominated by western countries. Despite these obvious disadvantages, the Japanese have begun to dominate international commerce as they dominate industrial production.

Considering its limited space, limited natural resources, and its crowding, Japan's achievements in economic productivity and areas such as educational standards, health, and control of crime are in a class by themselves. This success is more striking when one considers how far behind Japan was in many of these areas, not only in 1945, but even in the mid-1950s, after recovery from World War II was essentially completed [Ref. 2: p.9-23].

2. Korea

It took thirteen years for Japan to increase its annual export of goods from two to ten billion dollars (1955 to 1967). Korea managed the same task in five years (1973 to 1977). It took the Japanese another four years, until 1971, to clear the 24 billion dollar level. In a world which is now considerably more brutal, even more colored by protectionism, and with a population hardly one third of Japan's, Korea managed the ten to twenty-four billion dollar step almost equally fast (4.5 years) [Ref. 5: p.35].

Korean economic development did not really begin until the early 1960s - Japanese occupation from 1910 until the end of World War II, then the division of the country, the Korean War and reconstruction all precluded any substantial progress. This changed rapidly in the 1960s.

The Korean economy has sustained high level economic growth since the 1960s. During the nineteen years from 1962 to 1980, the Korean economy maintained an 8.8 percent annual average growth rate, more than double that of the world's major economies. That attainment was founded on rapid industrialization and export growth. The yearly average growth rate of the mining and manufacturing industries amounted to 15.9 percent, and commodity exports grew by nearly 38 percent per year from 1962 to 1980 [Ref. 6: p.110].

Since the implementation of the First Five Year Economic Development Plan in 1962, Korea's industrial structure has shifted toward that of the industrialized economies. Shipbuilding developed rapidly from the building of wooden fishing vessels in the 1960s to producing two million gross tons in 1980. Shipbuilding capacity reached 4.25 million gross tons in 1981 mainly through the expansion of the Hyundai shipyard, already one of the largest single shipyards in the world [Ref. 6: p.115].

The electronics industry has grown faster than any other industry in Korea during the past several years and is being developed as one of the major export industries of the future. In 1979, Korea produced \$3.3 billion worth of electronic goods and has become the tenth largest producer of electronics in the world.

Steel production: until 1973, when the Pohang Iron and Steel Company Ltd. (POSCO) was completed, Korean industry was seriously hampered by a lack of iron and steel. As of 1979, annual steel production had risen to 8,037,867 tons, 4,400,000 tons of which were produced by POSCO and the rest by other steel mills. Korea now ranks among the top 20 countries in the world in steel production [Ref. 6: p.116].

Since it has the strong will and the ability to develop the economy with a highly productive, well educated and low-cost labor force, there is little doubt that Korea will achieve great success in its economy by the 1990s.

C. OBJECTIVE OF THE STUDY

As previously observed, Japan, an overcrowded country, with less than a fifth of its land level enough to permit agriculture or other economic exploitation, is superior to many advanced western countries in many respects, particularly in industrial competitiveness [Ref. 7:p.5].

What are the major reasons for the success of the Japanese economy? Many distinguished writers on the subject have found their answers in Japanese managerial skill. Is the same answer applicable in the case of Korea, a country that has about the similar population density, rate of mountainous area and Confucian background? If it is not the case, what differences can be noted between Korean management and Japanese management? What factors are considered to be important in Korean's behavioral patterns? Answering the above questions is the basic purpose of this paper.

Japanese management style will be reviewed first, followed by Korean management style. To compare styles of management, the historical and cultural backgrounds of each society need to be thoroughly studied.

D. METHODOLOGY

The approach taken in this research is to (1) study Japanese management systems by examining relevant articles and books, (2) evaluate the Korean management system by examining relevant articles and books plus inclusion of the author's personal experiences gained through a lifetime in Korea, (3) compare the two styles by reviewing the major characteristics of each system and (4) examine the reasons for the differences between the two countries.

II. JAPANESE MANAGEMENT

When the United States was unquestionably the most advanced industrial country in the early post-war period, the Japanese were eager to learn about American management techniques. They were willing to make the assumption that American management techniques were the most advanced. In this chapter, special features and characteristics of Japanese management, previously suggested by distinguished researchers will be reviewed.

A. IMPORTANCE OF KNOWLEDGE

1. Group Learning and Quality Control (QC) Circles

During the "management boom" of the 1950s, the American management formulas and techniques were introduced into all spheres of Japanese business administration; particularly personnel administration. The degree of attention the Japanese have paid to western developments in management theory and practice is really astonishing. A significant portion of the literature on management and work in the Japanese language consists of translations and analysis of the work of western scholars. The research and proposals of American organizational specialists are widely known, and the use of their ideas is common in large Japanese firms [Ref. 8:p.24].

If any single factor explains Japanese success, it is the group-directed quest for knowledge. In Japan, personal development through study is a highly regarded social activity which continues throughout one's life. By the time Japanese youth complete formal schooling, they have

not only acquired general information, but they have acquired the habit of studying in groups.

After obtaining employment, the school graduate is prepared to receive his specialized training and he remains receptive to broad generalized training. At his work place, the new employee first undergoes long periods of specific training as an apprentice and throughout his later career frequently participates in a variety of study groups. Off the job, an employee constantly looks for opportunities to learn what might be useful in his work. But he also tries to learn many other things which have no apparent immediate relationship to his work, for they might prove useful in the long term.

We can get a sense of the Japanese capacity to learn and adapt western organizational technology to their own needs through a brief tracing of the introduction of Quality Control (QC) circles.

QC circles may represent the most innovative process of borrowing and adaptation in the personnel policies of large Japanese companies in the postwar period. Before 1945, Japan had only moderate experience with modern methods of statistical quality control. An early postwar effort was organized by U.S. occupation officials to enjoin American statisticians to go to Japan and teach American wartime industrial standards to Japanese engineers and statisticians.

The Korean War had a further impact on the Japanese QC movement. In order to win military procurement orders from the American military during and after the Korean War, the quality standards defined by the U.S. military had to be met.

In 1954, Dr. J. Juran, the noted QC expert, arrived in Japan for a series of lectures [Ref. 8:p.25]. He emphasized a new orientation to quality control, stating that it

should be an integral part of the management function and practice throughout the firm. In effect, this meant teaching quality control to middle management.

From 1955 through 1960 these ideas spread rapidly in major Japanese firms. But there was critical innovation on the part of the Japanese. In the Japanese reinterpretation, each and every person in the organization hierarchy, from top management to rank-and-file employees, received exposure to statistical quality control knowledge and techniques. Workers began to participate in study groups to upgrade quality control practices. These methods gave both a simple, yet most profound twist to the original ideas propagated by the Western experts.

Quality control shifted from being the prerogative of a minority of engineers with limited shop experience, to being the responsibility of each employee. Instead of adding additional layers of inspectors, reliability assurance and rework personnel, each worker is expected to take responsibility for solving quality control problems when they arise.

The QC circle movement in Japan has grown explosively. The number of QC circles registered with the Union of Japanese Scientists and Engineers (JUSE) increased from 1,000 in 1964 to some 87,000 by 1978. Unregistered QC circles are conservatively estimated to total an additional five times the number of registered circles. With a total Japanese labor force of some 37 million in 1978, this means that approximately one out of every eight Japanese employees was involved in QC circle activity [Ref. 8:p.26].

QC circles are relatively autonomous units composed of a small group of workers. Usually there are from 5 to 15 workers per circle with the norm at about 10. Each circle has a leader which may be a foreman or a senior worker in

the group. The role of the leader is to train QC circle members in problem solving techniques. Elementary statistical techniques, regression analysis, and brainstorming are just some examples. Once a circle is functioning, the group leader should play an indirect role and not dominate the circle.

In principle, it is a study group that concentrates on solving job-related quality problems. These problems are broadly conceived as improving methods of production in support of company-wide efforts. Some typical efforts include reducing defects, scrap, rework requirements and production down-time. These activities are in turn expected to lead to cost-reduction and increased productivity.

In addition to the above activities, the circles focus on improving working conditions and the self-development of workers. This focus includes: development of the leadership abilities of foremen and workers, skill development among workers, improvement of worker morale and motivation, the stimulation of teamwork within work groups and recognition of worker achievements.

Above all, the circles recognize that hourly workers have an important contribution to make to the organization [Ref. 9:p.95].

2. Information-Gathering

It is not always clear why knowledge is needed, but people attempt to store available information on the chance it may be useful someday.

Japan's elite officials from the various ministries have the preeminent responsibility for guiding the acquisition of knowledge. They themselves are constantly analyzing information and deciding what further information needs to be gathered. [Ref. 2: p.36].

Individual companies sponsor information-gathering activities with no less enthusiasm than government ministries. On the average, Japanese companies collect and process information more thoroughly than their foreign counterparts [Ref. 2: p.43].

The Japanese general trading companies (like Mutsubishi, Mitsui Bussan, Sumitomo, Marubeni, Itoh, and Nissho Iwai) are unequaled by other companies, Japanese or foreign, in their international information network. In part, their success comes simply from their size, since most of Japan's foreign trade is conducted through these six companies, each of which is represented in virtually every country in the world [Ref. 2: p.44]. But success comes also because information-gathering has such high priority.

In gathering detailed economic information, private companies are superior to the Japanese government, but their superiority is especially pronounced in areas where they have a substantial economic interest. Even in political information-gathering they sometimes outdo the Japanese Foreign Ministry [Ref. 2: p.44].

The basic long-range effort in gathering information lies in the continued collection and analysis of non-secret material relevant to company interest. This information sometimes extends from macro-economic theory to the price of hog bristles in rural China [Ref. 2: p.45].

In large Japanese companies, officials rise slowly through the ranks. Because employees tend to remain in large corporations until retirement, it is rational for Japanese companies to invest far more heavily in training than do Western companies, where employees with such special skills would be more attractive to other employers.

Employees on the management track customarily are rotated to a wide variety of departments and sent to outside

training centers to acquire skills in various areas and to develop the close personal relationships that will later facilitate the flow of information needed for effective management decisions.

Japanese companies that have surpassed their Western counterparts in their overall level of technology and organizational know-how do not stop learning. They continuously search out weak spots where another company, Japanese or foreign, might have more strength. This effort provides clues as to how they can continue to improve. A small dye maker in Western Japan with fifty employees, for example, follows appropriate journals to determine which international dye making plants have made the most important recent innovations. One or two employees are dispatched each year to spend a month or more observing these innovations [Ref. 2: p.46].

Japanese companies also keep channels open to former senior executives who are believed to have a priceless accumulation of knowledge and good judgement. By granting former high officials special honors and privileges, present officials maintain easy access to their predecessors.

To keep their employees optimally informed, virtually all sizable companies organize study groups for senior management, middle management, new employees, and, not uncommonly, for dependents of employees. The company not only calls on in-house experts, but invites outside lecturers on topics of interest. In addition, the company may set up study groups focusing on new books or articles of unusual relevance. If a company cannot provide its employees with appropriate specialized training, the employees are encouraged to take correspondence courses or to take a brief leave of absence to attend appropriate training programs [Ref. 2: p.49].

Quantity alone is not the key to Japan's success in handling information. Rather, it derives from the long-term commitment of organizations to their employees and vice-versa. This permits a level of training and retraining that is simply not cost effective for organizations with higher rates of mobility. This continuity in membership means that information is better retained in the organization, however, the core of key employees are constantly reprocessing that information and looking for new opportunities to add broader understanding.

Information-gathering is not an end in itself. It is a group-directed process closely linked to long-range organizational purposes, permitting an impressive range of information to be concentrated where and when the organization can best use it.

B. MANAGEMENT STYLE

1. Lifetime Employment, Seniority System

The most important characteristic of Japanese organization is permanent employment system. Lifetime employment, more than being a single policy, is an established rule under which many aspects of Japanese life and work are integrated.

Lifetime employment, although desired by workers and by most employers, is not universal in Japan. Not all firms can create the stability necessary for lifetime employment. Thus, about thirty-five percent of Japan's work force is under lifetime employment in large companies and government bureaus [Ref. 10: p.15].

Lifetime employment means that a major firm or government bureau hires once a year, in the spring, when young people graduate from high schools and universities. A

major firm which hires only "rookies" takes on a large inventory of new employees all at once, although it does not typically have work for all of them immediately. Once hired, the new employee is retained until mandatory retirement at age fifty-five.

An employee will not be terminated for anything less than a major criminal offense. Termination is a harsh punishment, since the one who has been fired has no hope of finding employment in a comparable firm. Instead, the fired employee must turn either to a minor firm that pays comparably low wages and offers little security, or must be ready to run his own business. Upon reaching age fifty-five, all employees except the top few who are managing directors of the firm must retire.

There are three factors that explain the reason why lifetime employment is possible in the Japanese social and economic structure. First, major Japanese firms pay their employees a large share of the compensation in the form of bonuses. The yearly bonus equals five to six months' salary for each employee. The amount of bonus is not contingent on individual performance, but only on the performance of the firm. This compensation method shifts the entrepreneurial risk of the organization from the stockholders to the employees, who suffer through bad years and prosper in good years. Bonuses allow employees to feel they are an important part of the firm and motivate them to cooperate in any way that they can. The lifetime employment system permits a firm to pay a small amount or no bonus at all if the firm's performance does not warrant one. Thus a firm can cut its payroll by perhaps twenty-five percent without laying off any employee.

The same is true in the case of public employees. The incentive bonus system for the government employees does

not allow those workers to feel as much an important part of the organization as do most private organizations. But again, the government has more options to decrease an employee's salary expenditure without laying off anyone.

Second, every major firm in Japan has a large category of temporary employees. These temporary workers are mostly women. Even today, it is not common that a major Japanese firm will hire women into professional jobs except a few labor-intensive industries. Women workers are generally considered temporary employees and are the first to be laid off in slack periods. They serve as a "buffer" to protect the job stability of men workers.

Third, during a recession, small firms that exist largely due to the success of the major firms may be forced to go out of business. These firms have little hope of ever growing into major competitors and exist primarily as suppliers to the major firms.

The combination of bonus payments, temporary employment of women workers, and existence of small firms provides a buffer against uncertainty that makes stable, lifetime employment a reality for the male employees of major firms [Ref. 10: p.20-22].

The lifetime employment system and the seniority system are intimately related and appear to be two expressions of the typical structure of Japanese companies [Ref. 11: p.431].

Major firms needed to train both a group of highly skilled laborers and a group of white collar managerial personnel. Because these skills were not based on experience with indigenous developments, it took considerable time and capital investment to train these personnel. As a response to this situation, a seniority system of wage increases was developed.

This would ensure that the newly trained employees in whom the company had invested so heavily would be motivated to remain. As the modern industrial sector expanded, a higher proportion of company employees has gradually been brought into this seniority and permanent employment pattern.

2. Long-term Commitment, Slow Evaluation

It usually takes 10 years in the company's employ before a newly hired worker receives his first formal evaluation. Until then, no employee will receive a larger increase in pay nor will he be promoted over more senior workers. The very slowness of this evaluation process discourages playing of certain kinds of short-term corporate games, although it does not entirely rule out such behavior.

An employee, therefore, lacks an incentive to initiate projects or to press for decisions that may look good in the short run but may be unacceptable for the long run. He also has no reason to advance his career at the expense of someone else because, he knows that he will not be evaluated for the short run. While this process at times seems painfully slow to aspiring young managers in Japanese firms, it surely promotes a very open attitude towards cooperation, performance, and evaluation, since the system makes it highly likely that exceptional performance will indeed be recognized.

The slowness of formal evaluation and promotion seems wholly unacceptable to most Westerners not only because Westerners desire rapid feedback and advancement, but also because the system seems to prevent the early assignment of the most capable to important jobs.

In Japanese firms, one may notice that formal titles and actual responsibilities often seem unmatched. The most

capable workers easily and quickly receive responsibility, but promotion comes only when they have more completely proven themselves. In addition, major contributors to success in the past are assured the security of titles and higher wages despite the threat of young employees. This fact, observed by everyone, causes employees to be more willing to wait their turn [Ref. 10: p.22-24].

3. Job Rotation, Job Training

An employee in a Japanese company internalizes the various values and objectives of the firm, becomes increasingly committed to them, and learns the formal and informal rules and policies. The means for obtaining awareness of the corporation's mores comes primarily through job rotation. That process usually includes two related types of job transfers. First, employees are transferred to new positions to learn additional skills in on-the-job training programs. These job changes are planned well in advance for all regular employees, including blue-collar workers. Second, transfers are part of a long range, experience-building program through which the organization develops its future managers. Such programs involve movement across departmental boundaries at any stage of an employee's career. While they rotate semilaterally from job to job, they become increasingly socialized into the organization, immersed in the company philosophy and culture and bound to a certain set of mutual goals.

In Japan, well-planned job rotation is the key to the success of an in-company training program that normally encompasses all the firm's employees. For some categories of highly skilled blue-collar workers, training plans for a period of up to ten years are not unusual [Ref. 12: p.12-13].

In the Japanese company, virtually every department will have in it someone who knows the people, the problems, and the procedures of any other area within the organization. When coordination is necessary, both sides will be able to understand and cooperate with the other. Perhaps more important, is the fact that every employee knows he will continue, throughout his career, to move between functions and offices. The person who asks for assistance today may be one of his co-workers or even his supervisor of tomorrow. Thus there is incentive for taking a broad organization-wide point of view. This approach fosters the reality that total, not simply individual performance, is the key to organizational and financial success; and that comes only through company-wide cooperation.

The job rotation is especially important for managerial personnel. Recent research conducted by M.I.T. and Columbia University, strongly suggests that workers at all levels who continually face new jobs will be more vital, more productive, and more satisfied with their work than those who stay in one job, even though the position changes result only in lateral reassignment [Ref. 10: p.28].

One of the big differences between the United States and Japan is the way of dealing with the problem of industrialization. In the United States, companies specialize their jobs and individuals specialize their careers. As a result, a semiconductor specialist, a portfolio manager, or a personnel manager can be moved from Company A to Company B and within a week, can be working effectively. Full productivity takes longer, but contributions begin right away. In Japan, however, it is difficult to take a worker from one company, move him to another company, and expect him immediately to be fully productive. Japanese do not specialize only in a technical field; they also specialize in an

organization, in learning how to make a specific, unique business operate as well as it possibly can.

One effect of life-long job rotation is employer incentives to develop both the skills and the commitment of their employees. In the United States employers are reluctant to invest in training employees in new technical skills, because a skilled employee can easily find another employer who is willing to pay a higher wage [Ref. 10: p.29].

4. Concern for the Employee

In a Japanese firm, an employee forms inclusive relationships with his employer, whereas most Western organizations practice an attitude of "partial inclusion." This represents an understanding between employee and employer that the connection between them involves only those activities directly connected with the completion of an assigned job. Being partially included in a number of organizations facilitates moving from one social domain to another, and allows tensions that have built up in one setting to be released in another [Ref. 10: p.44].

When people anticipate a lifetime of working together, they cannot afford to let deep rifts develop. Conflict and refusal would disturb the harmony that must underlie the work relationship. No company can remain healthy with suppressed disagreement, conflict, and complaint.

The wholistic orientation of Japanese organizations stems from both historical accident and underlying social and cultural forces. According to one commonly-held view, the historical accident is that industrialism rushed into Japan after having been held out for decades by a feudal political system. Companies were forced to build plants

close to the villages in order to easily recruit workers. With no long and gradual urbanization as Europe had, Japan found itself with a sparsely-distributed rural population faced with the onrush of industrialization. Each plant sent recruiters to village homes asking parents to send their offspring to work in the plant twenty or thirty miles away. Village parents would simply not release them to go to live and work in a strange place. The company's logical response was to build dormitories, to provide a healthy diet, and to assure parents that their children would receive the moral, intellectual, physical, and domestic training that would prepare them for life. In the case of young women, the company arranged for training in domestic skills needed by a young wife. No partial inclusion, no tentative relationship between company and employee was possible in this setting [Ref. 10: p.45-46].

In the Japanese company, it is an established practice for managers to spend a lot of time talking to employees about everyday matters. Thus they develop a feeling for employees' personal needs and problems as well as for their performance. Obviously, gaining this intimate knowledge of each employee is easier when an employee has a long tenure, but managers consciously attempt to get to know their employees, and they place a premium on providing time to talk. The quality of relationships developed with subordinates is also an important factor on which a manager is evaluated.

Various company-sponsored cultural, athletic, and other recreational activities further deepen involvement in employees' lives. [Ref. 12: p.17-18].

In Japan, a company allocates substantial financial resources to pay for benefits for all employees, such as a family allowance and various commuting and housing

allowances. In addition, many Japanese firms provide a whole range of welfare services from subsidized company housing for families and dormitories for unmarried employees, through company nurseries and company scholarships for employees' children, to mortgage loans, credit facilities, savings plans, and insurance. Thus the employees often perceive a close relationship between his own welfare and the company's financial welfare.

5. Enterprise Unionism

Most traditional Japanese firms have what foreign people would define as "company unions" that are decidedly pro-management. The contract between union and management is more an understanding than a legal document. Permanent employees are protected primarily by social obligations that bind those in control. For example, management is committed for "life" and cannot dispose of the company as negotiable property when business gets bad. In fact, it is customary that executives take a pay cut before other employees are affected. Surplus workers may be loaned to other firms in the family for up to several years, but their seniority status and other rights which accrue with the parent firm must not be abandoned. Annual bonuses may be pared down or skipped under extremely bad circumstances, but retroactive compensation is usually given when conditions permit.

In return, both the union and individual workers of Japanese firms are expected to look out for the interests of the firm on their own initiative. They are expected to view the company's survival and well-being in the same light as their own. One example of the unity of effort is for each worker to put in overtime whenever asked. This is accomplished without claiming premium pay and despite any inconvenience which may arise. The traditional Japanese approach

might more appropriately be thought of as "familism" [Ref. 13: p.79].

Recently, a number of major Japanese companies began pushing upward the age for compulsory retirement to 60 years of age. [Ref. 14, p.15]. Many industrial unions have also indicated a willingness to take a flexible position in labor-management negotiations on wages, retirement allowances, employment, promotions, and other questions to ensure that the compulsory retirement age is extended to 60.

6. Decision-making

Few Japanese management practices are so misunderstood by outsiders as is the decision-making process. The image is quite entrenched in Western literature on Japanese organizations. Scores of managers huddle together in endless discussion until consensus on every detail is reached, after which a symbolic document, "ringi," is passed around so they can affix their seals of approval on it. This image negates the considerable degree of decentralization for most types of decisions that is characteristic in most subsidiaries. In fact, when time is short, decisions are routinely made by the manager in charge.

Under the usual procedure for top management decision-making, a proposal is initiated by a middle manager (but often under the directive of top management). This middle manager engages in informal discussion and consultation with peers and supervisors. When all are familiar with the proposal, a formal request for a decision is made and, because of earlier discussions, is almost always approved - often in a ceremonial group meeting or through the "ringi" procedure. This implies not unanimous consent to its implementation.

This kind of decision-making is not participative in the Western sense of the word, which encompasses negotiation and bargaining between a manager and subordinates. In the Japanese context, negotiations are primarily lateral between the departments concerned with the decision. Within the work group, the emphasis is on including all group members in the process of decision-making, not on achieving consensus on the alternatives. Opposing parties are willing to go along with the comfort that their viewpoint may carry the day the next time around.

Japanese managers, instead of examining every aspect and contingency of proposed alternatives, prefer to obtain a relatively general agreement on the direction to follow, leaving the details to be solved as their resolution becomes mandatory. Accordingly, the refinement of a proposal occurs during its early implementation stage.

Consultation with lower-ranking employees in Japanese firms does not automatically imply that the decision process is "bottom up," as suggested by several research papers on Japanese management. Especially in the case of long-term planning and strategy, the initiative comes mostly from the top. Furthermore, consultative decision-making does not diminish top management's responsibility for a decision's consequences [Ref. 12: p.16-17].

The Japanese manager sees his task as improving on the initiatives of others and creating an atmosphere in which subordinates are motivated to seek better solutions. He also encourages a flow of initiative and information from the lower levels to the top of the organization. Senior managers of Japanese firms play a key role in shaping decisions. When a subordinate brings in a proposal, the manager does not simply accept or reject it. Instead, he tactfully asks questions, makes suggestions, provides encouragement,

and, if necessary, sends the person back for more answers. This sequence may recur, and if it does, the proposal generally improves each time. If the two ultimately decide that the proposal has merit, the manager refers it to others higher in the organization. He is, in a word, a facilitator.

In the Japanese system, junior managers are not functional specialists who carry out their boss's directives. Rather, they are both initiators who perceive problems, and coordinators who, in liaison with others in other functional areas, help shape a composite plan before presenting it to their superiors.

A typical Japanese middle-manager knows almost everybody in related areas of the hierarchy, so he may easily obtain required information. When he makes a certain recommendation, all coordination is usually done in advance. This process takes time. A big decision may take half a year, perhaps more. In addition, he spends much of his time talking on the phone. But when he presents his proposal to the senior manager, all the functional areas are on board, and implementation is immediate once the decision to move is made.

In general, Japanese place much more emphasis than do Westerners on coordination skills. Japanese managers expect their subordinates to communicate with other functional areas. As a result, most employees of the Japanese firms are well aware, not only of the issues facing the organization, but also others problems and perspectives [Ref. 15: p.62-66].

Another key feature of decision-making in Japan is the intentional ambiguity of who is responsible for what decisions. The evidence indicates that no one individual carries total responsibility for a particular task. Rather,

a group or team of employees assumes joint responsibility for a set of tasks. This approach often allows things to "fall through the cracks" because everyone thinks another person has taken the problem to tackle. When working well, however, this approach leads to a naturally participative decision-making and problem solving process.

In a Japanese company, if one employee becomes ill or has some other problem that seriously impedes his ability to function at work, the other members of his work group are obliged to take up his share of the load. When the employee returns to work, he can step right back in and do his share.

The group's working relationship is one of the reasons for the job rotation. As with all other characteristics of the Japanese management system, the decision-making process results from a complex system of parts that are joined together. This system relies upon trust and subtle communication developed through the intimacy of close worker-management relations.

III. KOREAN MANAGEMENT

Korea has a short history of business operations. During this period, Korean entrepreneurs, together with the strong support of the government, have achieved stupendous economic growth. There are several observers who regarded Korea as "a second Japan." It is true that Korean management patterns were influenced by Japanese practices in some respects. However, the Korean management style in the present days is different from that of the Japanese. In this chapter, the cultural background and the characteristics of the Korean management will be studied in detail.

A. PRIVATE ENTREPRENEURSHIP

The emergence of a thriving entrepreneurial class in Korea is particularly intriguing, since it runs counter to the traditional value system. Confucianism places commerce and industry at the bottom of the Korean "Sa, Nong, Kong, Sang" (scholar-official, farmer, artisan, merchant) status hierarchy. The traditional idea of Korean Confucianism did not have much respect for technical and physical or manual labor but rather despised this. Laboring for material production could not have the qualities of being a gentleman. Labor was the job only for a workman. Therefore, industrial techniques could never be developed. Trade and commerce, without being esteemed, even nominally, had been regarded as the meanest sort of work.

It was after the end of World War II that ordinary Korean people began to think that getting rich might be much more important than being a man of virtue. Accordingly,

little or no prior history of entrepreneurship had existed in Korea. Under the Yi dynasty (a Korean kingdom; 1392-1910), there was no industrial entrepreneurship and only a very weak mercantile class. It was "traditional" to rely on small-scale, labor-intensive "handicraft" production techniques. The economy for the general public was characterized by household production and limited exchange.

Under the Japanese colonialism (1910-1945), modern economic activity was overwhelmingly dominated by the Japanese; and such limited indigenous entrepreneurs as emerged under the Japanese lost their physical capital, if not their lives, during the chaos of the Korean War. During the Japanese colonial era, the future bureaucrats, entrepreneurs, and managers of Korea had a chance to make themselves familiar with the Japanese practices and experiences by "watching" rather than by "doing." When the Japanese left Korea suddenly, with the declaration of an unconditional surrender in 1945, the Republic of Korea inherited about 2,500 operating industrial and business enterprises [Ref. 16: p.30]. The physical facilities the Japanese left behind were dissipated and contributed remarkably little to independent industrial growth.

During the period of U.S. Military Government (September 1945 to August 1948), industrial output dropped dramatically. Industrial output for 1948 was estimated at only 14 percent of the 1938 level [Ref. 16: p.31]. How was it that more than two years after the Japanese withdrawal, only 20 percent of vested industry was in operation? The absence of trained manpower was the most important factor for the limited operation.

The new government was established under the leadership of President Rhee. The political chaos and market disruption together with the tragedy of the Korean War prevented

the new government from improving the situation. During the unstable period of the late 1940's and early 1950's, some of the so-called "vested property," which was controlled first by the U.S. Military Government and then by the new Korean government, was transferred to several active Koreans, who were generally either former employees or shareholders of the firms. The OB Beer Company was taken over by a Korean minority shareholder in the parent Japanese Kirin Company. He is the founder of today's Doosan Group. A technician in a Japanese textile firm became acting manager under the Americans, later bought the plant, and built it into the Sunkyoung Group. A similar sequence was followed by the only Korean employee of a Japanese explosives firm, and it grew into today's Korea Explosive Group [Ref. 16].

The successful cases presented above applied to only a small portion of the vested property. A few of the largest enterprises taken over from the Japanese were turned over for management to the Korean government departments. Examples are electricity, railroads, communications, tobacco, and coal mining.

Before the 1940's there were only a few Korean entrepreneurs in a modern sense. Wealthy men at that time were mostly landlords, local brewery owners, or mill owners. Most of the present day Korean business groups appeared during the 30 years after the end of World War II.

During the same period, there was not much new capital for investment. Therefore, these newly appeared entrepreneurs and their wealth accumulation must indicate the redistribution of existing national wealth and/or foreign wealth transferred through aid rather than new wealth accumulated from their productive activities.

Japanese properties and aid dollars were distributed at very low prices. Even these acquisitions were made with

cheap bank loans under the existing hyper-inflationary situation. And cheap bank loans were mostly concentrated on a few 'chaebol' (family-based industrial conglomerates). Hyper-inflation, shortage of supply and high import tariff protected chaebol's monopoly prices. The domestic tax structure was also favorable for chaebol. As their production began, import of foreign products was restricted on the excuse of protecting domestic industries and at the same time, various tax privileges were also provided. Most chaebol in Korea, accordingly, were able to appear in a short period of time with the help of the government privileges provided.

The situation, however, has been changed dramatically since the beginning of the President Park's era. After the Military Revolution (May 16, 1961), a five-year economic development plan was launched in 1962. Under the clear guidance and strong support of the newly established Economic Planning Board (EPB), the private entrepreneurship was awoken from long hibernation and energized for economic achievement in the 1970's.

According to the results of the entrepreneurship survey performed by the Korea Development Institution (KDI) in 1976, the top-ranking answer for the first self-perception question on the characteristics that distinguish successful entrepreneurs from their less successful brethren was "hard work." There is no doubt that Koreans work long hours by international standards. The average weekly working hours for Korean entrepreneurs is 54, their senior staff 53, and their ordinary employees 52 hours [Ref. 16: p.247]. The long hours of entrepreneurs not only distinguish successful from unsuccessful entrepreneurs but are characteristic of the entire economic system. As one example, the regular working hours of the senior staff of the most rapidly

growing chaebol, Daewoo, are from 8:00 in the morning to 7:00 in the evening. To staff its thirty-six foreign branches, necessary language training is provided from 6:00 to 8:00 a.m. daily, with any absences "affecting promotion" [Ref. 16: p.247].

Let us next turn our attention toward the problem of economic concentration. While most Western economies are preoccupied with the effects of industrial concentration, the share of a given number of enterprises in a particular market, the problem of business concentration, the share of a given number of affiliated enterprises in all markets, has attracted particular attention in Asia, for example, the Japanese zaibatsu (a Japanese system of highly centralized family control, through holding companies), India's industrial houses, and the Korean chaebol.

At the center of each Korean chaebol is the "chairman" who is the dynamic and cohesive force of the group. Typically, he is an entrepreneur in the truest sense of the word, who founds one enterprise and then holds the position of the president or leaves its management to a relative, or more recently, to a trusted associate as he moves on to a new venture. Majority shares in the various enterprises are held by the chairman and his immediate relatives. In some chaebol, professional managers play a rapidly increasing role. Guidance and direction, however, remain highly centralized in the chairman. Unlike the Japanese zaibatsu, which are centered on their own banks and other financial institutions, the Korean chaebol rely on government controlled credit institutions. As a result, the Korean chaebol exercise distinctly less economic power than their Japanese counterparts do. Economic power is related to the size of the chaebol relative to the rest of the economy.

In the next few pages, the evolution of five of Korea's leading chaebol will be presented. The goal is not in-depth critical analysis but a flushing out of the dimensions of Korean growth by decomposition into individual entrepreneurs and companies. The group presented have been selected to illustrate the diversity that characterizes Korean entrepreneurial success. Four groups that started before or during the Korean War and prospered during the next three decades will be considered first: Samsung, which produces largely consumer goods; Hyundai, which concentrates on producers' goods; Lucky, which has been run by the second generation even more successfully; and Hanjin, which deals in the transportation sector. Finally, Daewoo, will be reviewed. Daewoo is one of the "new generation" groups which was founded in the late 1960's, and has since enjoyed phenomenal success.

1. Samsung: Consumer Goods Producer

B. C. Lee, Samsung's chairman, is widely regarded as the richest man in Korea. His entrepreneurial activities began in 1936. Under the Japanese colonial rule, he ran his local milling business quite well and became one of the largest taxpayers in the province. He established Samsung Company in 1948. The group exports six percent of the total export of Korea and pays 3.5 percent of all the taxes in the country. Total sales reached over \$3.4 billion in 1979 [Ref. 19]. The group consists of about twenty industrial companies which engage in foreign trade, and include sugar, woolen textile, department store, hotel, insurance, newspaper, television, paper, hospital, and electronic companies.

Samsung's management technique is considered the best in the country. An advanced guidance and control

system plus a great deal of freedom have been provided for the company chiefs within the group. One result of this is that other groups steal employees from Samsung, while Samsung in its turn is not anxious to employ people from other companies. It prefers to train its own young employees from scratch, and to produce the so-called "Samsung spirit" [Ref. 5: p.120]. The majority of 230 executives in the group are "original Samsung men" [Ref. 18]. B. C. Lee is a graduate of a Japanese University and known to have excellent connections with large Japanese elite companies. The group has technological cooperation agreements with Nippon Electric, Sumitomo, Mitsui, and the shipbuilding giant IHI [Ref. 16: p.349-354]. The Samsung is, therefore, known as the most Japanese-influenced business group in Korea.

2. Hyundai: Aggressive Entrepreneurship in Producer's Goods

Hyundai's evolution has been markedly different from that of Samsung. In the first place, Samsung concentrated on consumer goods, while Hyundai, the largest and the most aggressive business group in Korea, has focused on producer goods such as construction, shipbuilding, machinery, cement, engineering, and one consumer durable, the automobile.

Secondly, and more important, Hyundai has been the leader in the 1970's effort to move the Korean economy into industrialization. The uncertainty of success in this effort has meant that Hyundai has taken far more risks and has had to be far more innovative. Witness its construction of a world-class shipyard, efforts to export automobiles, and successful competition with established American and European giants for Middle Eastern construction markets. Hyundai also is viewed much more sympathetically by the

Korean government than any other chaebol, since development of heavy industry has been a long-run government objective. Risky endeavors require implicit government contingency insurance.

The chairman and founder of the Hyundai group is C.Y. Chung. He established Hyundai Construction Company, his first company and also the cornerstone of his business group in 1947, and took full advantage of reconstruction requirements after the Korean War. A striking feature of Hyundai's growth has been its expansion into international construction markets in Vietnam, Thailand, and the Middle East.

Five huge Ulsan drydocks of Chung's Hyundai Shipbuilding and Heavy Industries Company are capable of building the equivalent of eight supertankers annually. A 260,000 ton tanker was constructed and delivered in 1974 as its first contract with a Greek shipowner.

Hyundai group had \$4.3 billion in sales in 1979 [Ref. 19]. The group's 330 executives are composed of Chung's relatives, original employees of the group, and others who were invited from the other groups, foreign countries or retired government officials [Ref. 18].

3. Lucky: A Successful Shift in Generation

This group contains some 15 companies, which consist of foreign trade, electronics, oil refinery, and chemical companies. Lucky group was founded in 1947 by I. H. Koo. His eldest son assumed top management responsibility in 1969. After the nine years of operation by C. K. Koo, his eldest son, the group's sales have ballooned ten times, to \$2.2 billion in 1978. Lucky manufactured 55 percent of all refrigerators in Korea (annual production of these was 250,000), 45 percent of all television sets, 65 percent of

all elevators and 70 percent of all airconditioning equipment in 1978 [Ref. 17: p.57].

4. Hanjin: Success in the Service Sector

Hanjin's initial accumulation was obtained by its contract with U.S. military units during and after the Korean War, and Vietnam contracts provided further impetus to its growth. It differs sharply from the other chaebol considered thus far, in that activities are largely confined to transportation and accompanying services.

With the nation's liberation in 1945, C. H. Cho, the founder, opened the Hanjin Transportation Co. with one truck. His company grew quite fast, and by the outbreak of the Korean War he owned a fleet of about 30 trucks and 20 small ships. The war took all his property, and afterwards he had to start all over again. He managed to get service contracts for transporting military supplies and became a supply agent for the U.S. Army in Korea. He established his creditability with the U.S. Army authorities, and this became critical for his future involvement in Vietnam. The dollars earned in Vietnam allowed further expansion of his domestic ventures. He bought the government's deficit-ridden Korean Air Lines in 1969 despite advice to the contrary from some of his major staffs. In the end, the venture proved quite profitable, and the purchase price was paid off in five years instead of the contracted ten.

Affiliated companies of the group include overland transportation, airlines, shipping, construction, sight-seeing, and securities and insurance companies [Ref. 16: p.360].

5. Daewoo: A "New Generation" Chaebol

In 1975 Daewoo became the seventh largest chaebol in Korea in terms of annual sales. It is of particular interest for two reasons. First, it is in all probability Korea's fastest growing chaebol of the 1970's. Second, and of more importance, it is one of the "new generation" of business groups. Unlike the entrepreneurs discussed previously, Daewoo's founder, U. J. Kim, grew up in an independent Korea and did not get a start in business until the late 1960's. The group's initial success came in the export trade but soon expanded into export production and, in the mid-1970's diversified into a variety of areas including foreign trade, construction, electronics, shipbuilding, and heavy machinery.

In 1967 U. J. Kim established Daewoo Industrial Company at the age of 31. He initially dealt with foreign buyers he knew from his previous job, but rapidly expanded his contacts. The company's growth was impressive. Over the nine-year period, 1967-1976, Daewoo grew at a 122 percent annual average rate. The group's sales reached \$2 billion in 1978. The success is in part attributed to a policy of paying employees extremely high wages but demanding commensurately long hours. In fifteen years after the foundation, the Group has grown from a miniscule base to 23 companies with 36 foreign branches and 58,000 employees [Ref. 16: p.361-364].

B. CULTURAL BACKGROUND

To understand the management style of a people, it is essential to take a look at their national character, cultural heritage and traditional ideals. Korea's long historical continuity as a nation has produced a unique

social and cultural heritage. Notwithstanding the influence of powerful neighbors, Koreans have managed to retain a strong national and racial identity. It is their culture, inspired and perpetuated under the most trying circumstances, of which the Korean people are justifiably proud, other than mere longevity. For centuries, Koreans practiced a philosophy and a code of ethics which was so general in its diffusion as to constitute the mores of the people. Korea's culture was especially influenced by China, But much of Korea and many things Korean, have remained virtually unchanged throughout the centuries.

It is worthwhile to discuss Confucianism which has played a central role in forming Koreans' behavioral patterns. Confucianism began about 500 B.C., but did not become dominant in Korea until the birth of Yi Dynasty (1392-1910). Buddhism, blamed as an influence for the ills in the previous dynasty, was cast out and the Confucian doctrine was established as the ethical principle of the state.

Confucius (550-478 B.C.), a scholar and a statesman, taught his disciples that society was a series of social relationships consisting of fivefold loyalties; ruler and subject, father and son, husband and wife, elder and younger, and friends. This is a belief formulated to promote the organization of the family unit and reverence of elders. The cardinal virtue of filial piety was combination of loyalty and reverence.

He taught that, in order to gain a well-ordered society, five virtues must be applied to interpersonal relationships: love of humanity, consideration for another's feelings and emotions, justice, reverence, acknowledging another's rights, sincerity and truthfulness of purpose. He also taught that man is good by nature. His moral rules of

conduct, man to man, are little short of Christian ideals. However, the basic attitude is one of justice and loyalty rather than of love.

Also, in Confucianism, great emphasis is placed on proper behavior between inferior and superior, in other words, vertical human relations instead of the principle of equality. This discriminating principle of human relations derived from Confucianism became an integral part of Korean customs and manners and it has caused much discord between superior and inferior; the rich and the poor, man and woman, senior and junior, elder and younger, and in many cases, between friends [Ref. 21: p.55-56].

Confuciansim, at any rate, became the ethics and culture of the learned and official classes of the Korean society, thus creating a strong national practice in Korea through the centuries.

Another influence inherited from Confucianism is fatalism, a predominating factor in the attitude of the people, and a facet of philosophy suitable to the agrarian and bureaucratic character of their kingdom. The other aspect of undesirable influence from Confucianism is a contempt for manual labor. Confucianism has encouraged ambitious young men to become scholars or bureaucrats. As a result, people looked down upon workmen or merchants. Consequently, the development of commerce and industry in Korea was delayed.

Confuciansim, which is based on rational ethics, is a philosophy rather than a religion. There is no strong sense of worship of a divine power, but rather a code of morals which was responsible for shaping Korean life for more than five hundred years, and still constitutes the basic moral law of Korea. Since the beginning of the twentieth century, the influence of Confucianism has declined with the spread of Christianity in Korea.

After the annexation of Korea by the Japanese (1910), there was an attempt to enforce the Japanese religion but that did not gain popularity in Korea. With the strong influence of American culture introduced during and after the Korean War, Confucianism has been weakened in some respect. However, the principle of Confuciansim still dominates Koreans' behavioral patterns.

As much as Korean society has changed during the twentieth century, it has remained deeply rooted in the traditions of the past. These traditional patterns have found their most fundamental expression in the relations of kinship, which have continued to shape the dynamics of social interaction in the 1970's. Loyalties to kins have always superseded loyalties to friends, neighbors, or the state and are likely to continue doing so.

Since 1894, when the legal basis for class distinctions was dissolved, the traditional systme of social stratification and its attendant bonds, privileges, obligations, and values have undergone a process of change that has fundamentally altered many aspects of Korean society. Numerous aspects of traditional social structure have nonetheless continued to exert a crucial influence on present-day values and institutions, particularly with regard to the primacy of kin ties [Ref. 22: p.78].

The next discussion will be on the traditional community institutions. The most important social units in Korea were clearly those based on kinship. The household and clan were the basis of living arrangements, mutual self-help, much of the education of the young, definitions of the individual's place in society, and most of his social contact. The other important unit in society was the community. Its members cooperated in their agricultural tasks and gave mutual assistance in times of crisis, operated as political units,

and formed the basis of almost all social contacts other than those resulting from kinship ties.

C. FOREIGN INFLUENCE: JAPAN AND U.S.

At the end of the nineteenth century Western influences began to penetrate Korean society, effecting changes in the social stratification and traditional values. The colonial domination of the Japanese that followed seriously disrupted landholding patterns and their concomitant social institutions, and continued the introduction of Western ideas and values. The process of change accelerated after World War II, first under the influence of the Korean War and later as the process of urbanization and industrialization altered the rural and agrarian character of Korean cities.

The first reform of Korean society in 1894 was largely forced by Japan. The most important was the abolition of legal distinction in social class and the freeing of the slaves. These changes began to soften the rigidity of social stratification. But the economic superiority of former "yangban" (the traditional ruling class) remained in force, so that they still enjoyed high status implicitly.

Moreover, the centuries-old habits of social behavior could not be legislated out of existence at a stroke. Former yangban thought of themselves as adhering to a higher code of ethical behavior than common folk and retained a strong aversion to physical labor. To a certain extent, mostly in rural areas and among older people, these attitudes persisted into present time, well after the economic differences between yangban and commoners had been reduced.

Westernizing forces also began to modify family traditions. The introduction of Christianity and the influence of Christian missionaries are thought to have had a particularly strong impact. Westernization under the Japanese

brought about other changes. The concept of private ownership of property, that had previously been reserved to the family as a whole, was permitted.

Five years after the withdrawal of the Japanese, the Korean War broke out. Although the war lasted a relatively short period of time, it brought almost all young Korean men into the armed forces. They were exposed to a way of life most had never seen before, to the possibilities of urban life and modern technology, and to the values that accompanied them.

The economic boom of the 1960's and 1970's permitted the creation of a substantial and growing middle class. A substantial proportion of the middle class achieved their positions through self-employment and small scale entrepreneurship that they were able to parley into successful businesses and industrial enterprises. In a society where people are under tremendous pressure to make a success in life, where competition is always keen and often unfair, the patterns of thought and action are at times somewhat unusual.

Confucianism, lack of stability, and over-crowding are the factors which have determined Korean behavioral patterns. These factors have developed a lack of public morality and concern for those outside one's own family and clan. There was little confidence in institutions or the government. Loyalties are directed mainly toward the family or an individual leader.

Korea today shows many faces. The old ways of thinking remain strong in the minds of most people, regardless of their education and rank. Christianity has introduced a new appreciation of the value of the individual, especially of women. Even among Christian groups, however, there is a gap between Christian dogma and Christian ethics [Ref. 20:

p.184]. Many Korean Christians are in reality more Confucian than Christian in their attitudes and behavior.

Koreans live in a moral climate that is so different from that in Western countries that it appears amoral to some foreigners. The ethics practiced are a modification of Confucianism. Some of the Koreans who have received the most advanced education in Western countries have dual personalities. With a foreigner they can appear to be almost completely Western in their attitudes, language, and manners. However, once they are with an all-Korean group, they revert to their Korean personality, and can express all the traditional attitudes and prejudices, and assume "face," with the most nationalistic of their fellows. People who thus live in two worlds tend, when under pressure, to revert to their former state. When things are going well, the person will seem to hold to his newly-acquired western attitudes and standards. As things become more difficult, he may switch to traditional Korean attitudes.

The traditions of Korea, in any event, have been strongly influenced and modified by the increasing number of Koreans who have received part or all of their advanced training in Western countries, by the impact of Christianity, and by increasing contacts between this once-hermit nation and foreigners, both in Korea and in the world at large.

D. MANAGEMENT STYLE

While the modernization of Japan was initiated with the Meiji Restoration in 1868, and its private enterprise has over a 100-year history of profit-pursuit, Korea has only a little over 35 years of tradition in private enterprise in modern terms. Although it may be somewhat hasty to discuss the style of Korean management with a tradition of little

more than one generation, it will be worthwhile to take at least a cursory view of its style, because the Korean business firms have been forming their own management style.

One of the two conflicting principles of the Korean society is a vertical human relationship between senior and junior that is deeply rooted in the thoughts of Koreans. This is particularly important to the aged people with origins from Confucian traditions. The other is the principle of equality that was introduced by Western-oriented Judeo-Christian beliefs and is strongly supported by the younger generations. Accordingly, the importance of maintaining good human relationships is broadly emphasized in most Korean organizations.

During the years from the beginning to the middle of the twentieth century, the advanced countries (the Western countries and Japan) made every effort to achieve the development of the scientific technique for consolidating the foundation of modern civilization and for promoting national prosperity. In the meantime the Korean society has suffered severely from political instabilities and the transition from the old concept of traditional values to a newly-formed, modernized consciousness.

There are three factors that led the Korean society to confusion and instability in the 1950's. The primary factor was the thorough exploitation by Japanese colonialism for some 40 years before the end of World War II. The second factor was the Korean War. It broke out five years after the liberation from Japanese colonialism and destroyed most of the industrial facilities and properties that had been the basis of hope for the future of Korea. The final factor was the ineptitude of governmental leadership which controlled Korea until the early 1960's. The political stability which is essential to economic development was

finally solidified under the new leaders, most of whom were from the military. Social frictions and confrontations among the Korean people have arisen largely because of three conflicting factors. Those factors are the traditional thought of Confucianism, egalitarianism espoused by Christianity, and the political instability that had continued since the end of the nineteenth century.

The old Koreans were reluctant to recognize the breakdown of traditional behavior among the young because of the frustration they felt at seeing revolutionary changes in the traditional value system. The younger generation, on the other hand, felt it was no longer necessary to show respect to their seniors, and they began refusing to recognize the seniors' authority, a concept which had been a cultural imperative of the Korean society for centuries. Such discord has been gradually reduced of late, and the Korean society has become more stable. The newly educated generations have begun to take over the middle and top management positions in various areas of Korean society since the beginning of the 1970's.

Since these social instabilities had continued for such a long period of time, there was no substantial reduction in the nation's poverty level. In addition, these conditions severely limited the chances for nation-wide accumulation of capital and for the establishment of universally practiced management techniques. The continuity provided by the stabilization of the national scene for the last two decades seems to have been the catalyst for forming Korea's own business tradition and management style.

A managerial atmosphere analyzed in a somewhat superficial view, tells us that Confucianism-oriented human relationships have been formed in the Korean firms. Also the Japanese management style, in which most Koreans were not

allowed to participate, has greatly influenced the managerial practices of the Korean firms. Finally, both the modern management techniques practiced by the employees through their military experiences, and the Western management introduced by the intellectuals who returned home from studying abroad (largely in the United States), have contributed in forming the unique style of management practiced in Korea today.

It is, in a word, a managerial atmosphere that is properly harmonized by the full idea of Confucianism inside and the Western rationalism outside. As time passes, its final form is likely to be very similiar to the Japanese management style. The reasons for the above prospect are the geographical proximity of the two countries, the Korean's sense of intimacy with the Japanese way of thought and the way of behavior due to the similiar influences from Confucian tradition. This prospect may also be true because of the Korean businessmen's admiration of Japanese techniques. Those techniques are believed to be one of the key factors in the Japanese outstanding economic success. In addition, the two hardships of having poor resources and heavy population pressure are characteristics common to each of the two countries and may result in similar prescriptions for dealing with these problems.

Since full-scale business operations began, Korean society has become less stable. This change has resulted from impatience with the "perceived" slow national growth, and has created the desire to gain sudden wealth among individuals. Furthermore, the unfamiliar conditions of competition resulted in a perceived decline in business morality.

In Korea, the exectutives of the big business group have been composed of the relatives of the owner, employees who joined the business group in its pioneer days through an

open examination, and former high-ranking officials of the government, banks, or the other companies. Although there is no fixed pattern for the selection of management, the number of the executives who joined the company through open examination and who have worked for the company for a long period of time was increased recently. This indicates that the abilities of the executives, hired because of their performance on open examinations, have received gradual recognition and that lifetime employment trends began to be accepted in the business society.

However, a large number of employees of primarily medium-sized firms still change positions frequently. The average Korean male worker is reported to work about 3.4 years at one company [Ref. 23]. This is often due to economic stagnation that occurs periodically and lack of job security in small and medium-sized enterprises.

Another reason for this short-term service average is that many people who want to be hired simply accept a job without much consideration of their vocational aptitude and salary level, because of a paucity of available positions.

Two adverse characteristics of Korean private enterprises in terms of their employment policies are their heavily-weighted view of education and the cordial treatment extended to the administrative managers. Japanese college graduates are paid 1.2 times the amount that high school graduates receive for their work. On the other hand, Korean college graduates get over two times that of the high school graduates for their starting salary. This wage differential leads the less educated employees to feel severely inferior. The wages of technical professionals are 1.86 times the average wage of all Korean workers, and the average wage for administrative managers is 2.99 times the average for all Korean workers [Ref. 24].

The other negative effects of big wage differences among employees who have varied occupations and educational backgrounds are a lack of membership consciousness, avoidance of responsibilities, loss of the creative will for work, and insincere quality control. This results in pressure to obtain a higher level of education. It also results in aimless efforts to obtain a college education by ill-prepared and ill-motivated students and creates an enormous waste of effort, time, and funds. Product quality deterioration without reductions in product price is believed to have been increased because of the habitual practice of unproductive discrimination.

Although the general wage level in Korea has been substantially increased since the 1970's, it has never exceeded an average of one third of those wages received by Western workers. Because of the shortage of the absolute income of middle-class workers in the Korean society and the establishment of a price structure at international levels, there has been long-standing poverty among the low-income wage earners. The habit of frugality became a part of Korean life, since the only way to solve the problem of shortage of living allowances is to bring down their living standards and to be satisfied with less.

In Korea, the relationship between the labor unions and the companies is not as important as is in the United States and other advanced countries. Such drastic labor activities as street demonstrations, strikes, and sabotages are virtually not allowed in Korean society, since militant or belligerent activities initiated with good purposes, as for a pay raise or for better working conditions, are often equated or related to destructive activities instigated by North Korea. This perception, which may invite political instability, is consequently not supported by the majority

of Koreans. Accordingly, management of Korean business firms recognizes the absolute necessity of political stability for the sake of national defense, and is committed to the maintenance of the social environment which provides for that stability.

It is believed, however, that such adverse factors as low wage levels and educational discrimination of employees will be removed completely by the 1990's when the Korean economy is expected to achieve a firmer foundation. Several important characteristics of the management style of Korean private enterprises will be discussed in detail in the remainder of this chapter.

1. The Importance of Human Relationships

As discussed already, the disagreements and the conflicts between the "traditional" ideas of most senior managers who ascribe to the idea of vertical relationships and the new ideas of most employees who believe in the principle of equality, are said to have been an important aspect of the Korean society since the 1950's. The discord between seniors and juniors has become an important issue for business firms to solve. As a result, one of the primary goals of private companies has been the maintenance of smooth relationships among employees.

As described above, Confucianism was characterized by several factors such as unique relationships among family members or members of a community, the absolute position of the father as the head of the family and the respect the other members of the family must show to the father. These characteristics of Confucianism pertaining to the family constitution have been applied to private companies. The chairman or the president who has the absolute power is compared to the position of the father in the traditional

family system. As each family member is expected to feel honor and take pride in being family members, so too are the employees of a company.

The Confucian principles that have been totally accepted by Koreans for centuries strongly demand modest attitudes and restraint in expressing one's opinion. Accordingly, if an employee insists on his opinion in this subtle environment and thus breaks the possible mood of cooperation, he is likely to be considered a conceited man, will probably earn a harmful reputation and may not be selected for his next promotion.

No matter how brilliant his suggestion, he should be aware of the time to withdraw his opinions whenever it threatens the overridingly important concept of cooperation. If he follows such invisible rules, he is recognized as a well-educated man. Although the behavioral patterns may cause material losses to the company as productive and brilliant ideas may be removed from consideration, his perceptive behavior as a member of the organization is still highly praised and respected in Korean society.

Almost all educated employees of large Korean business groups work very hard and try to make good impressions on their influential seniors. It is not uncommon for an ambitious employee in a Korean company to continue his work after the regular duty hours without overtime pay.

It is said that after World War II, the Japanese merely shifted the focus of their loyalty from Emperor to employer [Ref. 26: p.293]. This comment suggests that the Japanese employees are loyal to their company. The Korean employees, however, are said to be faithful not to their companies, but to individuals: their direct bosses or the top managers.

In Korea, the importance of establishing order between superior and inferior has been emphasized without exception. Only those superiors who pay careful attention to saving their subordinates' face and those inferiors who make every efforts to maintain proper business and social etiquette towards their superiors, are recognized as gentlemen.

As the father is responsible in caring for all the family members, some top managers seem to feel strong responsibilities to each employee's individual affairs. Examples of such expenses as for congratulations and condolences, childrens' tuition fees, and expenses for group activities during the employees' free time are not uncommon and many Korean firms may pay a part or all of these expenses.

Korean firms always pay attention to improvement and maintenance of good relationships, not only among their own employees, but also with the people outside their company. The companies carry an enormous account and support the external activities of their employees in the very broad sense. Many employees at times drink with their personal friends virtually at the company's expense. The company pays the receipts returned by the employees after entertaining friends and associates at service organizations such as night clubs, bars, or restaurants, without thorough confirmations on the receipts. The firms seem to believe that \$100 expenditures of expense account bring \$200 profits. The above statement is likely true as far as the Korean business society is concerned.

An importance of human relations in the Korean business firms is an traditional outcome of inveterate culture. It is important for an employee of a Korean business firm to maintain good relationships with the public officials in

charge, the staff of the bank and other organizations with which the company has many dealings. Particularly, good relationships with public officials has been the most important consideration from the company's standpoint. These officials are the source of the information required to establish the company's plan for the current and long-term operations. Therefore, integrity has been continuously emphasized to the government-employees in Korea, where the government's economic development plans have been driven for two decades.

A number of former employees of the government-controlled organizations are invited to middle or high management positions of large companies after their retirement from the government positions. They have easy access to information sources required by the companies for years following their retirement because of their prior positions as leaders of the public officials currently in power.

2. Family Oriented Management

In many Korean business firms, a large number of the direct family members or the close relatives of the founders and successors have participated in business operations. They include the founder's brothers, sons, nephews, and sons-in-law. Their powerful influences and exclusive possession of the top management positions results in an erosion of the non-family executives' will to work. Therefore, a very limited number of such big business groups as Samsung and Daewoo have strictly excluded the founder's family members from management positions, and have given employee competence the first consideration in the promotion system.

Due to the short history of business operations, most founders of Korean private enterprises still hold absolute decision-making power over major company concerns. In the several big firms when the absolute power of the founders was transferred to their successors, the employees have enjoyed less "traditional" pressures in human relationships by the introduction of Western rationalism. It is not uncommon for several big firms to maintain family controlled ownership (vice public ownership) despite strong pressure from the government for its abolition.

In the family-run company, most recommendations made by a staff, after a reasonable analysis and a prudent study, are usually accepted. Sometimes, however, the owner's improvisatory idea is selected instead of prudent suggestions made by his staff. In no case, however, can the decision made by the owner be challenged in the Korean society where vertical relationships between superior and inferior are still generally accepted by a majority of the people.

In most firms, the founders, who become the chairman or the president, take an active part in the management. They preside over the important meetings, encourage employees to higher productivity, and make important decisions on the company activities. In big Korean firms the founder or his successor usually leaves the top management responsibility of each of his subsidiary companies in the hands of family members or other executives who have worked in the company for a long period of time. The major issues or plans of the subsidiaries are, however, reported and approved by the founder prior to any final decision-making.

There are few Korean business founders who allow their senior level executives the management latitude necessary for them to fully contribute to the business development. Lucky, Hyosung, Sangyong, and Korean Explosive Group

are the Korean business groups, the founders of which have transferred their powers to their eldest sons successfully. The younger brother of the founder of the Sunkyung group took the top managerial responsibilities. And the top managerial responsibilities for the Samsung group are retained by the third son of the founder. At any rate, it is important to know that the founders or their eldest sons have assumed the top-managerial responsibilities of each Korean business group without many exceptions.

3. Appearance of the Young Managers

The Korean managers are younger than those of any other country. As a matter of fact, the majority of the Korean business managers, including a large number of the top managers, are in their late 40's or early 50's. This is largely due to the fact that the young military leaders, who were largely in their early 40's, assumed the administrative responsibilities of the Korean government after the military revolution in May 1961.

In Korea, traditionally, high ranking government officials have exercised powerful influence over business firms. As high ranking positions of the government were occupied by a group in their 40's, there was a new trend where major positions in all fields in Korean society were gradually filled by younger people. In addition, as the economic development plans instituted by the new government were successful, the expansion and creation boom of private business firms continued, contributing to the accelerated promotion of young employees to the position of managers. These young managers have greatly contributed not only to the continuous expansion of business with their ambitious driving force, but also to the economic development of the country in general.

In the process of learning their duties, these young managers made many mistakes which resulted in extraordinary losses to the companies and the nation, largely because of their lack of experiences. However, it is believed that the continued successful growth of the Korean economy might be impossible without the ambition and enthusiasm of these young managers.

Most of the young managers from the 1960's have maintained their management positions and thus become managers in their 50's in the 1970's. As of the early 1980's, the majority of Korean managers are in their late 40's to early 50's.

It is felt that their efforts to achieve ceaseless expansion of business operations will continue since the Korean managers, who are generally younger than their Japanese or Western counterparts, will be responsible for the management of the country on the whole for a relatively long period of time.

It is believed that the achievement of operational goals is highly possible if the young managers carefully analyze and evaluate the errors they committed during the past 20 years and utilize the lessons in long-term planning. The problems created by the Japanese economy as Japan became one of the big economic powers in the world will be another good source of knowledge that the Korean managers should consider.

A noticeable tendency has appeared among elite employees as the number of young managers has increased. The tendency has been that they have been anxious to get fast promotions without exerting maximum effort for a long period of time. Individual efforts to get better reputations than their fellow-workers in a short period of time sometimes brought discord and excessive competition among

employees. Due to the influence of a long history of poverty in Korea and the traditional values of Confucianism, there are many young employees in both the government and the private enterprises who have strong ambitions for success. Most of them establish early promotion as one of their life's goals at relatively young ages. Any organization that hires a large number of ambitious young men will be able to sustain fast growth if it successfully uses the right man in the right place in a cooperative mood.

There is another reason for the Korean society to have somewhat younger managers in almost all areas. It can be explained by the social environment of Korea. Until the end of World War II, only a few Korean teenagers had the chance to receive regular school education. First, there were not many schools available in Korea. Most high schools and colleges were restricted to the Japanese students. The Koreans who had higher education before World War II were from families that either supported the Japanese colonialism, or were rich, or both. Accordingly, in the early 1960's when full-scale business activities started in Korea, there were only a few candidates to replace the managers who were in their 60's or 70's and were qualified in terms of experience and educational backgrounds. Most company founders were born entrepreneurs and were in their 30's at the time they founded their companies. Since the 1970's, the new demand for management positions in Korean firms was filled by a group of elite employees who had joined the companies through open examinations.

4. The Influence of External Organizations

In the social environment of Korea, the government exercises an important influence on business operations. As a result, companies to expect a lot of difficulties in

planning or operating the business, unless they coordinate closely with the government. The only way to escape extensive governmental influence is to expand the companies' influence across the whole country by growing into a super-company. However, there is no way to grow into such a big firm without a close relationship with the government. Consequently, it can be said that the Korean government has exercised strong influences over the private sector for a long time.

A short historical background of Korean firms will be examined to help explain why the government's influence over business companies has been so strong. Although it has been over 30 years since entrepreneurial firms were established in Korea, the full-scale activities and growth of these companies did not start until the early 1960's with the controls and support of the government in the form of lowered taxes and interest-rates and government sponsoring of the payments in a loan agreement with foreign banks.

As the firms were continuously growing with government support, the scope of government control was also gradually increased. This, naturally, resulted in reducing the ability and will of the companies to support themselves. Private firms often expected the government to solve their problems before making efforts to find their own solutions. As a result, the influence of the government over the private sector became larger every year.

Recently the Korean government has made efforts to reduce its intervention and control over private companies. The government also urges them not to rely on government supports. Government intervention has been limited to recommending courses of action for business operations while only occasionally specifically guiding and controlling them if necessary by providing or discontinuing various supports.

No government officials have been allowed to participate in the management of private companies.

The second consideration is the shortage of natural resources. Korea (south) has 38.5 million people in its small land space of 38,175 square miles. Furthermore, 70 percent of its total territory is a mountainous area. The population density of Korea for the usable land spaces is, therefore, one of the highest in the world. Overpopulation has been, in effect, a very serious problem in Korea. The Korean government has spent an enormous amount of money for national defense every year (6 percent of the gross national product). In addition, Korea does not produce a single drop of crude oil and also has only limited reserves of other natural resources. Korea experiences almost 4 months of bitter cold winter every year. [Ref. 22]. To overcome the disadvantageous conditions listed above, the need for effective centralized control of the limited resources should be strongly emphasized. The Korean government has assumed and accomplished that role effectively since the early 1960's

The government, banks, and business associations for each business area or industry are the external organizations that influence business operations. The government, as a large stockholder, exercises its influence over the banks and also influences the selection of the officers of each business association. Therefore, close coordination and good relations with the government are extremely important from a business standpoint. Accordingly, each firm ceaselessly seeks to maintain good relations with the government officials in charge of preparing new policies or altering existing policies that are related to the operations of the firm.

As the operational scales of the firms were enlarged, the large firms were gradually endowed with the

capabilities to acquire required market information and to raise funds. This has enabled them to obtain international competitive powers and credits. Accordingly, the Korean government not only initiated its efforts to reduce the scope of its control over civilian firms, but also has urged autonomous management of private firms since the early 1980's.

IV. A COMPARISON OF MANAGEMENT STYLE: JAPAN AND KOREA

A. A CROSS-CULTURAL COMPARISON

1. The Effect of the Spread of Confucianism on Modernization

Korea and Japan are basically Confucian states. However, there is a very large gap between the two countries with regard to the influence of Confucianism. Though Korea acquired Confucianism from China, Korea was a much better student of Confucianism than China in some respect. In Japan, however, Confucianism never went beyond the realm of academe. It did become to some extent a code of behavior for the warrior class, but it did not enter into the daily life of the peasant, artisan, or merchant class [Ref. 27: p.56].

It is believed that the depth of penetration of Confucianism in fact has greatly influenced modernization and industrialization of these Asian countries. Confucianism has conspicuously changed people's outlook on labor, particularly the value consciousness of physical labor, public and private morals and principles of group behavior. This perhaps provides the most crucial point of view in examining differences in patterns of industrialization between Japan and Korea. If the two countries are observed carefully, it is their heterogeneous nature rather than their homogeneity which stands out.

2. Warrior Rule and Civilian Rule

Japanese respect labor in a workshop environment. It was derived from the notion that to earn a living by the

sweat of one's brow is a virtue. They also jump at new products, with little resistance on their part to consequent changes in life style and habits. The respect given to labor in the workshop in contemporary Japan has its roots in the seven hundred years of continuous rule by the warrior class. In Japan, where the military houses held the reins of government for many centuries, the sword was valued more than the pen. The foundation of military skills lies in exercising the body. From this was born the notion of making a virtue of the perspiring brow, and this in turn shaped the values even of the ruling class or the upper echelon of society.

This tradition has been inherited by the corporate world. Japanese corporations first assign many of the new college graduates they hire to production divisions. In particular, half of all new college recruits with science and engineering degrees are assigned to production workshops [Ref. 27: p.58]. This is significantly different from Korea where most college recruits are put in administration and planning. Japanese engineers walk around the plant wearing hard hats, clumsy looking safety shoes, and sweaty, oil-stained work clothes, but have a high status and a certain amount of authority, and are not the least inferior to research and planning personnel. This is different from the situation in Korea and also in the West. That this respect for work in the workshop has its roots in the warrior tradition will become apparent from a comparison with Korea which has had a long history of civilian rule.

Korea was a country where civilian rule continued nearly 2000 years. It placed the highest value on scholarship and held the military arts to be of lesser importance. Moreover, in Korea, class discrimination was also strong. In the Yi dynasty, commerce and industry did not develop

much and it was rare for the upper classes to bestir themselves or dirty their hands with work. In a society of this nature, it was not possible for production by physical labor to be highly valued by society. In modern-day Korea, people still have no regard for physical labor in the workshop. A good example of this is the wage differential between administrative and technological jobs in Korean firms.

Until recently, very few corporate managers had science or engineering backgrounds. This is at least partially attributable to the history of civilian rule. Furthermore, the founders of these corporations are being replaced by second-generation managers who also seem to have few science or engineering backgrounds. This is representative of the differences with Japan.

3. Intuitive Japan, Logical Korea

In Japan, there is an old saying that goes, "Before you exercise the mind, first exercise the body." This is "experientialism": Through the experience of working with the hands and body, intuition was nurtured. The Japanese with their sentimental thoughts and habits do not seem to care for a logical atmosphere. From ancient times the virtue of intuition stored up through the repeated experience of working in person, rather than the logical use of mind, has been one of the special features of Japanese technology.

In contrast, the Koreans have a strong tendency to prefer logic. Their national character is such that if they are not logically convinced they will not act. This aspect of the Korean national character is cited as a cause for Korea's having lagged behind in modernization during the mid-nineteenth century. In contrast to Korea, Japan raced to modernization in a single bound following the opening of the country.

Koreans are also said to tend to place concepts before facts. Their logical bent as well as their idealistic inclination was something over which the five hundred-year long history of sluggish civilian rule of the Yi dynasty cast a deep shadow, and it was also greatly influenced by the lag in the development of commerce and industry during that period.

Japanese are said to have high regard for painstaking work. Instead of thinking logically of the standards of product quality and performance and attempting to realize them through economic rationality, the Japanese attitude is still to produce high quality by asking no questions and not skimping on the work. Taking high quality to be a matter of course, they afterwards concentrate their work on how to produce it cheaply. The high quality of Japanese industrial goods is said to be derived from the age-old tradition of putting one's soul into one's art or skill.

These characteristics that greatly contributed to the amazing growth of the Japanese economy are seldom found in Korea. Quality improvements and the enhancement of business morality remained as the most important and urgent issues to be solved in Korea.

4. Differences in Approach to the Group: Kinfolk vs Feudal Domain

The Japanese have an established reputation for effective group work with outstanding results. Group behavior requires exceedingly great effort and compulsory power in order for the group to begin moving in an orderly manner in the same direction. In countries where individualism is especially strong, it is difficult to sacrifice the self and get in step with the group. Group behavior in Japan is orderly and alert. The Japanese habit of not thinking logically surely plays a large part in this.

Both the Koreans and the Japanese seem to agree that "the Japanese excel at organizational ability and, as a group, demonstrate unsurpassed effectiveness, while Koreans have a weak spirit of unity and as a group they are inferior."

The first point that may be raised is that the Koreans are rather self-assertive and often dissent among themselves. The Japanese are said to be comparatively devoid of self-assertion and dissension. There are, of course, fairly strong groupistic tendencies in Korea. However, the makeup of the group is different. In the case of Korea, as already discussed in the previous chapter, in blood-related groups such as the family or kinship circles, group consciousness is strong to a degree not found elsewhere. Further, community consciousness is also quite strong. In short, the difference with Japan is in the Korean orientation toward small groups. In the seventeenth century, the domain system of local decentralization was established throughout Japan. This development weakened the consciousness of kinship in the family and narrowed its sphere, while the focus of groupism was shifted to the domain. In Japan today, group consciousness of the domain has been transferred to the corporation. In Korea, on the other hand, a centralized system of rule was continued until the modernization period of the late nineteenth century with no underpinning of mid-level organizations. Only small-scale kinship groups existed.

5. The Concepts of Public and Private

Japan drew a hard distinction between what was public and what was private. And it gave absolute priority to the public. Japanese selfless service exercised during World War II is a good example of their "absolute priority" to the public.

Confucianism, in contrast, takes the kinship system to be a fundamental ethic. Public and private matters are often not clearly distinguished but become confused in Confucian societies. As discussed earlier, nepotistic management is a salient feature of some Korean corporations. The old category of kinship was expanded to groups of the same background such as the same birthplace, same school, and same religion. It is believed that some Korean workers have not yet identified themselves with the corporation. Accordingly, not many workers for Korean firms seem to have a spirit of loyalty to their companies.

B. DIFFERENCES OF MANAGEMENT STYLE

In studying the management style of the two countries, Japan and Korea, we did not find many characteristics that both countries have in common. The two societies had existed rather independently for a long period of time until the twentieth century despite their geographical proximity. However, Confucian influences over both countries seemed to provide, to some extent, the basis for similarity in the behavior of the two people. The degree of dissimilarities in behavioral patterns between Koreans and Japanese is believed to be, if any, much less than that between Koreans and Westerners. The basic differences in management style between the two countries are thought to be as follows.

First, in the Japanese corporations, the influence of the government is not as strong as in the Korean corporations. Many Japanese corporations were able to develop with some basic support from the government through the long period of over one hundred years during which most other countries, including the advanced European countries and the United States, were not ready to impede Japanese progress for the purpose of protecting their own industries. When

they started to feel threat from the Japanese economic growth which was accomplished quietly and rapidly, Japan had already become a large economic power surpassing both France and Germany. The big corporations of Japan have relied more on their creative efforts and effective management than on government supports in achieving their growth.

In contrast, the Korean enterprises have been, in some respects, under government influence. If there is a "Korea, Inc.," as there is alleged to be a "Japan, Inc.," it is the government that is the chairman of the board of the corporation. In Korea, the necessity for effective management by the government of limited resources has been increased due to the heavy burden of defense expenditures. Each corporation also needed strong supports from the government to cope with the protective trade tendencies of other countries and to raise funds for the operation and expansion of the companies. These factors eventually resulted in government interventions into the firms activities. Currently, however, government influence has been declining because of the government's efforts to decrease its influence over the private sector.

The second difference is in the evaluation systems. In Japanese firms, an employee is not given his first formal evaluation or opportunity for promotion until after ten years of employment. In contrast, a Korean worker usually has his first opportunity for formal promotion after about five years of service. As a result, some Korean employees can be promoted to the position of executive while in their 40s. In Japanese firms, however, the same chance is usually given to most employees in their late 50s.

As a result of the promotion practices discussed above, some Korean employees are more interested in those things which bring immediate results. This has resulted in a lack

of concern for the long-term view which is an essential element in performing the managerial job. These managers are often concerned about makeshift arrangements in lieu of fundamental solutions. This short-term evaluation system also has positive aspects in some respects. It provides vitality to the internal atmosphere of the firms and enhances the morale of the prospective managers.

Third, there are differences in the decision making process. In Japanese firms, a formal proposal is written and then circulated from the bottom of the organization to the top. At each stage, the manager in question signifies his agreement by affixing his seal to the document. At the end of this process, the proposal is literally covered with the stamps of approval of sixty to eighty people.

On the other hand, the decision making process in Korean firms is similiar to American practices. It is a top-down style, not a bottom-up process. Suggestions for new projects are usually proposed by the management. The proposal is improved during the approval process through a chain of command so as to be favored by top management.

Fourth, Japanese permanent employment and seniority systems are well-known practices of employment. These systems are also basically supported by both labor and management in Korean firms. Most Korean workers do not want to shift their jobs if conditions permit. The same is also true on the management side. However, permanent employment and seniority systems still have a weak base in Korean business society. The main reason for that is derived from the economic conditions in Korea as a whole. The Korean economy has been developing at a comparatively fast speed. But more jobs need to be created, better quality products need to be produced, and productivity needs to be enhanced. By the 1990s, when Korea successfully improves the living standards

of its people and also has enough people in the middle-class income level, it is believed that the gap between current employment practices between Korea and Japan will be narrowed.

V. CONCLUSION

The management styles of the two countries, except for the four facts previously discussed, seem to be similar in a broad sense. Although similar cultural backgrounds and geographical proximity between the two countries and Japanese colonial rule have resulted in strong Japanese influence over Korean business practices, American management style will also significantly influence Korean management style in the future. Of course, Korean business society will form its own management style in the long run which will probably be a more Japanese-oriented style in most respects.

The origin of Korea's fast economic growth is not believed to be through innovative management techniques as was true in the Japanese case. Again, it is not due to the satisfactory conditions of international economic environments. It was only possible because of the strong will and diligence of the Korean people along with appropriate supports and effective controls by the government.

Korean businessmen have successfully maintained an acceptable growth rate for their companies by struggling with numerous adversities such as protectionism and tariff barriers in foreign trade. They are believed to be able to achieve continuous growth by their efforts to develop strategic commodities and to produce super-quality goods or to export production goods.

With a continuing effort to obtain external growth, each Korean firm has tried to consolidate the internal aspects of management. However, it does not seem to be easy for a

company to get the desired results in a short period of time. Contributing to this difficulty have been the traditional factors in effect for several hundred years. Certainly, this issue has been gradually improved, and will take more time for a complete solution.

Though Korean businessmen inwardly envy the wonderful success of the Japanese economy, they make ceaseless efforts to escape getting such a dishonorable reputation as an "economic animal." They are believed to try to follow the lessons obtained from the mistakes the Japanese committed during the process of achieving their economic success.

LIST OF REFERENCES

1. Pascale, Richard Tanner and Athos, Anthony G., The Art of Japanese Management, Simon & Schuster, New York, 1981.
2. Vogel, Ezra F., Japan as Number One, Harvard University Press, Massachusetts, 1979.
3. Harbron, John, "Korea's Executives are not Quite 'the New Japanese'," p. 16-19, Business Quarterly, Vol. 44, No. 3, Fall, 1979.
4. Buss, Claude A., The United States and the Republic of Korea Background for Policy, Hoover International Studies, Stanford University, California, 1982.
5. Hedberg, Hakan, The New Challenge: South Korea!, Chongno Book Center Co, Seoul, Korea, 1978.
6. Korean Overseas Information Service, Facts about Korea, Seoul, Korea, 1981.
7. Reischauer, Edwin O., The Japanese, Harvard University Press, Massachusetts, 1981.
8. Cole, Robert E., "Learning from the Japanese: Prospects and Pitfalls," Management Review, Sep. 1980.
9. Cole, Robert E., "Quality Control Circles," Production, Vol. 84, No. 5, Nov. 1979.
10. Ouchi, William G., Theory Z, Avon Books, New York, 1981.
11. Brown, William, "Japanese Management-the Cultural Background," Culture and Management, Richard D. Irwin Inc, Illinois, 1969.
12. Hatvany, Nina and Pucik, Vladimir, "Japanese Management Practices and Productivity," Organizational Dynamics, spring, 1981.
13. Fox, William, "Japanese Management: Tradition under Strain," Business Horizons, Vol. 20, No. 4, Apr. 1977.
14. Sekiguchi, Shiro, "How Japanese Business Treats its Old Workers," Management Review, Oct. 1980.

15. Johnson, Richard Tanner and Ouchi, William G., "Made in America (Under Japanese Management)," Harvard Business Review, Sep./Oct. 1974.
16. Jones, Leroy P. and Sakong, Il, Government, Business, and Entrepreneurship in Economic Development: The Korean Case, Harvard University Press. 1980.
17. Minard, Lawrence, "A Second Japan," Forbes, May 1, 1978.
18. Hankook Ilbo & Korea Times, Feb. 2, 1982.
19. "500 Largest Companies Outside the U.S.," Fortune, Aug. 11, 1980.
20. Crane, Paul S., Korean Patterns, Taewon Publishing Co. Seoul, Korea, 1972.
21. Chung, Kyung Cho, Korea Tomorrow, The Macmillan Co. New York, 1956.
22. Vreeland, Nena, Area Handbook for South Korea, American University, Washington D. C. 1969.
23. Hankook Ilbo & Korea Times, Feb. 10, 1982.
24. "Korea/Social Conditions," Korean Affairs Report, No. 179, Foreign Broadcast Information Service, Dec. 23, 1981.
25. "Korea/Social Conditions," Korean Affairs Report, No. 174, Foreign Broadcast Information Service, Nov. 11, 1981.
26. Harris, Philip R. & Moran, Robert T., "Working in an Eastern Culture: Japan," Managing Cultural Differences, Vol. 1, Gulf Publishing Co, Houston, Texas, Mar. 1981.
27. Mritani, Masanori, "Japan, China, and Korea: A Cross-Cultural Comparison of Industrial Technology," Japanese Economic Studies, summer, 1981.
28. Breasly, W. G., Modern Japan, University of California Press, 1977.
29. Hankook Ilbo L. A., Feb. 25, 1982.

30. Charters, Ann, "The Union's Right to Strike is Guaranteed now," Far Eastern Economic Review, May 15, 1981.
31. Hasan, Parvez, Korea : Problems and Issues in a Rapidly Growing Economy, The John Hopkins University Press, 1976.
32. Kim, Kwang Suk and Roemer, Michael, Growth and Structural Transformation : Studies in the Modernization of Republic of Korea 1945-1975, Harvard University Press, 1979.

INITIAL DISTRIBUTION LIST

	No. Copies
1. Defense Technical Information Center Cameron Station Alexandria, Virginia 22314	2
2. Defense Logistics Studies Information Exchange U.S. Army Logistics Management Center Fort Lee, Virginia 23801	1
3. Library, Code 0142 Naval Postgraduate School Monterey, California 93940	2
4. Department Chairman, Code 54 Department of Administrative Science Naval Postgraduate School Monterey, California 93940	1
5. Professor John W. Creighton Code 54Cf, Department of Administrative Science Naval Postgraduate School Monterey, California 93940	15
6. Dr. John Y. Sohn Chairperson, Korean Department DLIFLC, Presidio Monterey, California 93940	2
7. Associate Professor Reuben T. Harris Code 54He, Department of Administrative Science Naval Postgraduate School Monterey, California 93940	1
8. Associate Professor Richard A. McGonigal Code 54Mb, Department of Administrative Science Naval Postgraduate School Monterey, California 93940	1
9. Choe, Kwang Sop Kong'woo Apt, ga-402, Seryu-dong Suwon, Kyong'ki-do, 170, Republic of Korea	2
10. Peter Sohn 4186 'D', South Memorial Park Way Huntsville, Alabama 35802	1

Th
C4
c. Thesis
C448825 Choe
c.1

197369
A study of comparative management styles in Japan and Korea.

25
11 MAR 84
3 JUL 84
6 JUN 86
22 FEB 87

27920
27926
33331
32410

Thesis
C448825 Choe
c.1

197369
A study of comparative management styles in Japan and Korea.

thesC448825

A study of comparative management styles



3 2768 002 10375 6

DUDLEY KNOX LIBRARY